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NOTE VERBALE DATED 31 JANUARY 1991 FROM THE PERMANENT REPRESENTATIVE OF THE SYRIAN ARAB REPUBLIC TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

In accordance with instructions from my Government, I have the honour to transmit herewith the text of a study concerning the economic damages and losses suffered by the Syrian Arab Republic as a result of the Gulf crisis. In the light of Security Council resolution 669 (1990) of 24 September 1990, I would be grateful if the Security Council would consider this note as soon as possible with a view to alleviating the economic difficulties with which Syria is faced.

(Signed) Dia-Allah EL-FATTAL
Ambassador
Permanent Representative

Annex

STUDY ON THE ECONOMIC DAMAGES AND LOSSES SUFFERED BY THE SYRIAN ARAB REPUBLIC AS A RESULT OF THE GULF CRISIS

INTRODUCTION

The Gulf crisis has had far-reaching effects on the economic and social situation of numerous countries in the region of western Asia and elsewhere in the world. The Syrian Arab Republic is one of the countries of the region which has been adversely affected by this crisis. In addition to the disastrous losses suffered by the members of the Syrian community in Kuwait in regard to their property, business interests and bank balances, the Gulf crisis has entailed substantial losses that have directly affected the State Treasury and a number of industrial institutions and individuals in Syria. These overall losses have had direct adverse consequences on the Syrian economy and, by their very nature, will probably have detrimental repercussions in the foreseeable future on a number of the country's production and service sectors.

The purpose of this study, which was prepared by a team of researchers from the United Nations Economic and Social Commission for Western Asia, is to make an objective assessment of the economic losses and damages resulting directly from the Gulf crisis and to evaluate their effects and repercussions.

The research team wishes to express its deep gratitude and appreciation to all the officials and other persons whom it met during the preparation of the study for their sincere co-operation and help, which were highly instrumental in facilitating the completion of the study. The team is particularly grateful to Dr. Muhammad al-Imadi, the Minister of Economy and Foreign Trade, and Mr. Fathi al-Jabban, the Deputy Minister of Economy and Foreign Trade.

Sources of information

An objective assessment of the losses and damages suffered by the Syrian economy as a result of the Gulf crisis basically requires accurate statistics and reliable information. Although this principle has been respected to the greatest possible extent, in some cases the requisite estimates were obtained by indirect means based on deduction and inference. In other cases, hypotheses were adopted as unavoidable options in studies of this type.

With regard to the sources of information needed for purposes of assessment, the team relied on the publications of the Syrian Central Bureau of Statistics, particularly the Statistical Abstract published in 1990. Information was also derived from a number of official authorities in Syria, particularly the Ministries of Economy and the Interior, the Central Bank and the General Directorate of Customs. In order to obtain supplementary information, meetings were held with the head of the Syrian community in Kuwait, as well as a number of its members in various occupational categories.

Profile of the Syrian community in Kuwait

A certain degree of familiarity with the distinctive characteristics of the Syrian community in Kuwait is essential for an understanding of many of the fundamental concepts on which some of the estimates are based, particularly those derived from hypotheses. This is one of the oldest communities, which first arrived in Kuwait to further that country's development and progress when it began to invest its petroleum resources. Although the Syrian community was neither the numerically largest community in Kuwait nor the largest Syrian expatriate community, it was always characterized by a degree of economic activity that transcended the proportional number of its members in the host State or in their home country. This is obviously due to a number of considerations such as, in particular:

(a) A large proportion of the members of this community were businessmen, large and wealthy contractors owning extensive business enterprises, and craftsmen.

(b) The vast majority of the wage-earners employed by government institutions and private enterprises were highly qualified and skilled workers earning incomes that were relatively high in comparison with those received by the members of other communities.

(c) The members of this community were more closely attached to their home country than Syrian expatriates living in other countries, particularly in Europe and America. This is largely attributable to the fact that many of them left all or some of the members of their family in their home country, in which they owned real estate and property and possibly also had business interests, in addition to Kuwait's proximity to Syria.

In fact, these considerations are influential factors that must be taken into account when assessing the losses suffered by the members of the Syrian community in Kuwait, as well as the volume of their transfers and other aspects.

I. LOSSES SUFFERED BY THE MEMBERS OF THE SYRIAN COMMUNITY IN KUWAIT

Information derived from numerous sources indicates that the Syrian community in Kuwait numbered more than 100,000 persons, of whom 50,000 were economically active, the remainder being family members who were not economically active. The losses suffered by these persons were estimated at about $US 9,174 million. This estimate was calculated by dividing the economically active persons into two categories:

Category 1:

Comprising 20,000 businessmen, contractors, craftsmen and other self-employed persons. Their losses in respect of their business interests were estimated at about $6,317 million, broken down as follows:

	$ million
Key money and equipment of commercial premises	2 069
Stock	2 207
Commercial vehicles	276
Reduced rates of exchange for deposits and liquid assets	1 282
Debts and lost deposits	345
Miscellaneous (stocks and bonds, etc.)	138

Category 2:

Comprising 30,000 persons working for a fixed wage in government institutions or private enterprises. The total losses of the persons included in this category were estimated at about $1,582 million, broken down as follows:

	$ million
Separation from service indemnities	517
Reduced rates of exchange for deposits and liquid assets	962
Lost deposits	103

With regard to residential property and related losses, the losses of both categories were estimated at about $1,275 million broken down as follows:

	$ million
Furniture, domestic appliances and clothing	1 034
Valuables and jewellery	172
Private vehicles	69

The per capita losses in each category were first estimated in respect of the items listed above and the total was then multiplied by the estimated number of persons who suffered loss. The average estimated per capita value in respect of each type of property or rights was multiplied by the probable proportional loss in value, which was assumed to be in the region of 60-100 per cent (see annex I).

II. ECONOMIC LOSSES

In addition to the substantial losses suffered by the members of the Syrian community in Kuwait, the crisis has entailed considerable direct losses to the State Treasury and a number of economic enterprises and individuals in the Syrian Arab Republic itself. These aggregate losses have been highly detrimental to the Syrian economy and, by their very nature, are likely to have adverse repercussions on a number of production and service sectors in the foreseeable future. These losses resulted from circumstances brought about by the crisis, particularly:

(a) The cessation of transfers and remittances from Syrians in Kuwait and the reduction in the customary levels of remittances from the other Gulf States.

(b) The non-arrival of summer visitors from Kuwait and the Gulf States and a reduction in the number of persons visiting Syria from other countries.

(c) The suspension of Syrian exports to Kuwait and a reduction, to varying degrees, in the volume of exports to the Gulf States and Jordan.

(d) A reduction in the rate of exchange of the Syrian pound against foreign currencies.

(e) A decrease in the volume of goods and passengers passing through Syria; the suspension of air traffic between Syria and Kuwait; and the resulting decline in the volume of activity at Syrian ports.

(f) The postponement of the implementation of a draft agreement that was to have been concluded between Syria and Iraq shortly before the crisis. This agreement provided for the resumption of the pumping of Iraqi oil through the Syrian pipeline to the export terminal at Banias, the supply of quantities of oil at reduced prices to Syria, and the re-opening of the borders between the two countries. The implementation of this agreement was postponed in view of the Syrian Government's compliance with the United Nations resolutions concerning the embargo on Iraq.

(g) The Syrian Government granted numerous facilities to the Syrians and Kuwaitis arriving from Kuwait, in the form of Customs exemptions, enrolment of their children in Syrian schools and universities, etc.

These circumstances have had numerous repercussions on the economic and social situation. Although they are interrelated, their end result can be summarized as follows:

(a) A decline in the country's foreign exchange earnings resulting, as already indicated, from the decline in the transfers and remittances of Syrian expatriates, the reduced income in the tourist sector, the lower volume of exports, the decline in the volume of transit trade and the suspension of the implementation of the oil agreement with Iraq.

(b) The increased cost of Syrian imports of goods and services due to the drop in the exchange rate for the Syrian pound in neighbouring markets.

(c) The reduction in the volume of exports led to a decline in production levels in enterprises that are dependent on Kuwaiti and other Gulf markets for the sale of their products, particularly enterprises in the textile, furnishings and plastics industries.

(d) The decline in the number of summer visitors and tourists led to a reduction in levels of employment in tourist enterprises, particularly restaurants, hotels, tourist resorts and tourist transport services, etc.

(e) Government service agencies, and particularly educational institutions, were faced with increased expenditure, in addition to the extra burdens placed on the State Treasury due to the exemptions and facilities granted to persons arriving from Kuwait.

(f) The rise in the rates of overt and disguised unemployment, due to the arrival of large numbers of Syrians of working age and the decline in levels of economic activity in many production and service institutions affected by the crisis.

However, in order to study the consequent damages and evaluate their economic effects and repercussions, information is needed concerning the quantitative level of the direct losses. These are reviewed below:

A. Reduction in the value of the transfers and remittances of Syrians abroad

It is difficult to make satisfactory estimates of the transfers received from Syrians abroad and of the extent to which they have declined as a result of the crisis, since these transfers, and particularly the monetary remittances, are routed through various channels. Although most of these channels are lawful, they are in no way subject to statistical monitoring by the official authorities. In accordance with the customary procedures, a Syrian or foreign national arriving in Syria has the right to bring into the country an unlimited quantity of national or foreign currency and is not required to declare the amount of Syrian currency that he is carrying, nor is he normally obliged to declare the foreign currency that he is bringing into the country, unless he intends to re-export it, in whole or in part, on his departure or to exchange it at approved State banks.

Consequently, one possible method to estimate the volume of transfers from Syrians abroad is to monitor them by type, use and final destination. With regard to type, transfers take three principal forms:

(a) Transfers in kind, namely the value of the various goods and commodities brought into the country for the personal use of the visitor or his family or as gifts for relatives and acquaintances. The value of this type of transfer can be

easily estimated by adopting a hypothetical average value for the items brought into the country by each visiting Syrian expatriate.

(b) Official drafts channelled through approved banks. However, this type of transfer constitutes only a very small proportion of the total transfers and the foreign exchange proceeds normally go to the State agencies concerned.

(c) Monetary remittances brought into the country or sent through third parties. These account for the largest proportion of the total value of transfers. The expatriate normally changes part of these transfers into Syrian currency, usually in the host country or in the markets of neighbouring countries, while retaining the larger part in the form of savings in foreign currency, which he changes as and when needed.

However, regardless of the channels through which the monetary remittances enter Syria, it is a well-known fact that, in actual practice, these transfers constitute the basic source of funds to pay for the materials, commodities and equipment imported by the private sector, since the State's current foreign trade policy is based on the principle that the provision of the foreign exchange needed to pay for private-sector imports is the responsibility of the importers themselves. This foreign exchange is obtained from two sources: (i) the proportional foreign exchange value of exports which, under the regulations in force, private-sector exporters are permitted to retain in order to import the raw materials and other production requisites that they need; (ii) the foreign exchange that they obtain from the transfers of Syrian expatriates.

Moreover, the monetary transfers and remittances of Syrian expatriates provide, in one way or another, a considerable proportion of the value of public-sector and State imports, since the public sector basically covers the value of its imports from the value of its exports and the State's foreign exchange resources. Part of these resources are derived, either directly or indirectly, from the transfers and remittances of Syrian expatriates, since some public-sector products are sold to the private sector for foreign currency. Various dues and taxes are levied on Syrian expatriates in foreign currency, in addition to the amounts of foreign currency which Syrian expatriates change at approved banks in Syria at preferential rates.

Quite apart from the above, reference must be made to the fact that some of the goods and commodities imported into the country are brought in by visitors in the form of transfers in kind from the markets of neighbouring countries and are therefore not covered by the official foreign trade statistics. The greater part of the value of these imports is undoubtedly covered, in one way or another, by the monetary remittances of Syrian expatriates.

Accordingly, the proportional decline in the volume of transfers and remittances from Syrians abroad as a result of the Gulf crisis was estimated on the basis of the following principles and hypotheses:

1. Estimated aggregate value of transfers

(a) If we assume that the proportion of the foreign exchange retained by Syrian exporters under the regulations in force is more or less equivalent to the value of the country's imports that are not covered by the foreign trade statistics, it can be affirmed, fairly reliably, that the volume of the remittances sent by expatriates and their families is equivalent to the total value of private-sector imports from all sources except Kuwait.

(b) Twenty-five per cent of the total value of public-sector imports are covered by the foreign exchange derived from the transfers of Syrians abroad.

2. Transfers from Syrians in Kuwait

(a) The Syrian labour force in Kuwait constituted 15 per cent of the total Syrian expatriate labour force. However, the transfers received from the Syrian community in Kuwait amounted to approximately 30 per cent of the total transfers from Syrians abroad. This is attributable to the distinctive characteristics and special circumstances of that community, as already indicated.

(b) The Syrian community in Kuwait accounted for 60 per cent of the total value of the private-sector imports from Kuwait. This assumption is based on the special relationships between the importers and the members of that community.

(c) The expatriates (and their families) retain in their home country an average amount of about $5,600 (approximately KD 1,600) from their monetary remittances in foreign currency.

(d) The average expatriate visits his home country once every year and, on each visit, carries with him goods and commodities, for his own use or to be given as gifts to his family and relatives in Syria, amounting to an estimated value of about $2,400 (approximately KD 700).

(e) Transfers from Syrians in Kuwait have been totally suspended and the monetary remittances from the Syrian communities in other countries have declined by 10 per cent.

(f) There has been no change in any of the factors applicable prior to the crisis.

In the light of the above-mentioned principles and hypotheses, the overall decline in the transfers and remittances of Syrians abroad was estimated at about $848 million, broken down as follows:

		$ million
1.	Value of transfers and remittances in cash and in kind from Kuwait	766
	Transfers and remittances used to finance imports	366
	From Kuwait = 15	
	From outside Kuwait = 351	
	Monetary remittances accumulated in Syria	280
	Remittances in kind	120
2.	Decline in the value of transfers from other Syrian communities	82

B. Impact of the crisis on the foreign trade sector

Syria has preferential trade relations with a number of Gulf States and also with Jordan. Like Iraq, these countries constitute traditional markets for various Syrian products, particularly textiles and foodstuffs. In 1989, the value of Syrian exports to the Gulf States and Jordan amounted to about $310 million. This amount constituted about 62 per cent of Syria's total exports to the Arab countries and 10 per cent of the value of its exports to all countries of the world. If we exclude exports to the Soviet Union, the latter figure increases to 16 per cent.

A time-series study of Syrian exports to the Gulf States and Jordan shows that the volume of these exports was increasing every year and was expected to reach a record volume in 1990, particularly after the restoration of normal relations with the Sultanate of Oman. This is substantiated by the fact that the value of Syrian exports to the Gulf States and Jordan had risen to $293 million during the first three quarters of 1990, in spite of the fact that the chronological period to which this figure relates extended two months beyond the commencement of the crisis. At all events, if matters had continued to follow their normal pre-crisis course, the value of Syrian exports to the above-mentioned States would have risen to at least $390 million, i.e. an increase of 26 per cent over and above the figure for 1989.

In fact, the importance of Syria's trade relations with the Gulf States and Jordan is not attributable solely to their relatively high volume: it is noteworthy that Syria's trade balance with those countries was in Syria's favour in a ratio of 3.5 to 1, since the value of Syria's imports from them in 1989 amounted to no more than $91 million.

During the period 1981-1989, the volume of transit trade declined from more than 14 million tonnes to less than 600,000 tonnes as a result of the rupture of relations with Iraq. The volume of such trade had been expected to increase with the resumption of normal relations between Syria and Iraq, which were once again broken off due to the crisis.

The circumstances brought about by the Gulf crisis have given rise to damage from the first day of the crisis and will continue to have a detrimental impact on foreign trade. Exports to Kuwait have stopped and exports to Jordan and the Gulf countries have gradually been falling off. This has affected in particular a number of traditional Syrian industries such as textiles, clothing and furnishings, as well as plastics, and foodstuffs such as chicken, eggs, vegetables and fruit. Furthermore, it had been expected that the normalization of relations between the Syrian Arab Republic and Iraq would lead to a record volume of Syrian exports.

On the other hand, the material and psychological conditions arising from the crisis have led to a sudden drop in the exchange rate of the Syrian pound in neighbouring countries of no less than 10 per cent, the unavoidable consequence of which has been a rise in import costs.

Thus, the damage due to the crisis has affected the three components of the foreign trade sector, which are exports, imports and transit. In the following section we shall give estimates of the direct economic losses arising from that damage in each of the three components separately.

1. Losses from exports

(a) Syrian exports to Kuwait

The value of exports to Kuwait over the first seven months of 1990 was approximately $17 million. On the basis of their monthly average, these exports were expected to reach $30 million per year. The sudden halt in exports to Kuwait caused losses to the State, exporters and producers alike. The State Treasury has been deprived of that proportion of foreign currency which exporters are obliged to exchange at official rates, or 25 per cent of the value of the exports. The market value of this currency is approximately four times greater than its nominal value, which affords the State a net surplus of 19 per cent of the value of the exports. The halt in exports to Kuwait has also inflicted a loss on exporters resulting primarily from unpaid obligations and export profits estimated at approximately 25 per cent of the value of the exports. Damage to producers has taken the form of a drop in prices for commodities made for export and similarly a fall in production levels in their enterprises, which has added to various other losses. With regard to Kuwait in particular, losses resulting from the drop in export commodity prices and the fall-off in production are estimated at approximately 30 per cent. On the basis of the foregoing, the losses resulting from the halt in exports to Kuwait for a full year are estimated at approximately $32 million, apportioned as follows:

19 per cent - losses in foreign currency to the State Treasury = $5.7 million

25 per cent - losses to exporters = $7.5 million

30 per cent - losses to producers = $19.0 million

(b) Syrian exports to other Gulf countries and to Jordan

The value of Syrian exports to the Gulf countries and Jordan, as we have indicated, was expected to reach approximately $390 million per year, of which $30 million was the expected value of exports to Kuwait. The decrease in these exports is estimated at approximately 25 per cent or $90 million. Therefore, the resulting loss is estimated at approximately $58 million apportioned as follows:

19 per cent - losses in foreign currency to the State Treasury = $17.1 million

20 per cent - losses to exporters = $18.0 million

25 per cent - losses to producers = $22.5 million

It will be noted that the loss in the value of exports used in this estimate is lower than that estimated for Kuwait because it is expected that in these cases there will be gradual adjustment to the new situation.

(c) Exports to Iraq

It is well known that there have been contacts between the Syrian Arab Republic and Iraq aimed at normalizing relations between the two countries. All the indications were that the two sides had reached a draft agreement to re-open the border between them and to resume pumping Iraqi oil through the Syrian pipeline and provide Syria with certain quantities of oil at reduced prices. However, the Syrian Government's observance of the international resolutions imposing an economic embargo on Iraq has led to halting work on what had been agreed.

This observance has deprived the Syrian Arab Republic of considerable economic gains, which are now seen as economic losses. It had been expected that Syrian exports to Iraq would grow and that transit through Syrian ports would become active. Despite insufficient data with which to estimate the losses in exports resulting from the suspension of the agreement, the history of commercial relations between the two countries suggests that Iraq had always been one of the most important traditional markets for Syrian products, in particular, clothes, textiles and certain chemical industries such as soap, plastic products and foodstuffs. There is sufficient evidence to estimate the loss in exports at no less than $100 million per year.

2. Losses from imports

As we have indicated, the exchange rate of the Syrian pound has fallen by 10 per cent from its level before the crisis. This drop has had a double impact. On the one hand, it has raised the value of exports and remittances from Syrians abroad as calculated in Syrian currency. On the other hand, however, it has raised the cost of imports as calculated in Syrian currency. The consequence of these two tendencies has been a loss for the national economy estimated at approximately $150 million per year. This estimate has been arrived at on the following basis:

(a) The value of expected exports (given by the foreign trade statistics) was approximately $2,143 million. Assuming constant import levels for the year following the date on which the crisis began, the cost of imports as calculated in Syrian currency will rise by the equivalent of $214 million (an increase of 10 per cent).

(b) The value of remittances before the crisis has been estimated at approximately $1,085 million per year. It is expected that income from these remittances will fall because of the crisis by $448 million to around $637 million (see annex II). In view of the fall in the exchange rate of the Syrian pound, the increase in the value of remittances expected after the crisis as calculated in Syrian currency will be around $64 million.

(c) Therefore, the burden resulting from the drop in the exchange rate of the Syrian pound will be approximately $150 million.

It should be noted that in making this estimate it has been assumed that foreign exchange earnings from exports which have been paid for is equivalent to the value of imports on which customs duty has not been paid.

3. Losses from transit

Economic losses in the field of transit are estimated at approximately $100 million per year. This figure represents the expected decrease in the volume of transport to Arab Gulf countries, the expected traffic of goods to Iraq through Syrian ports and territory and the halting of flights to Kuwait.

C. Losses of foreign currency from tourism

The losses incurred in the tourist sector are basically due to the sudden halt in arrivals of summer visitors from Kuwait and the other Gulf countries, which took place at the height of the summer season. It is expected that this halt will remain in effect for the whole year following the beginning of the crisis. A substantial decrease is also expected in the number of tourists coming to the Syrian Arab Republic from other countries as a result of the crisis. In addition to the direct impact of these changes, which will be a drop in the country's foreign currency income, there will be all sorts of damage to the various tourist installations and individuals connected to that sector.

Total foreign currency losses resulting from the falloff in numbers of visitors to the country are estimated at approximately $454 million per year. This figure has been arrived at on the basis of the following considerations:

(a) It has been assumed that the number of visitors to the country during the year under study would remain at the same level as before the crisis, i.e. the number recorded in 1989.

(b) Despite the fact that some of the visitors to the country cannot be considered tourists in the generally accepted sense of the term, one should not

neglect the amount of foreign currency such visitors spend during their stay in the country. Therefore, for the purposes of estimation, all visitors to the country have been considered as tourists.

(c) The estimate of foreign currency losses is in fact the product of the expected drop in the number of tourist nights spent because of the crisis and the single visitor's average expenditure per night, estimated at $150. This average includes what the visitor spends on hotel rooms or furnished flats, food, drink, transport, commodity purchases and various services.

(d) The decrease in the number of tourist nights has been estimated by assuming an average number of nights for each visitor before the crisis and the expected decrease in this number because of the crisis. A distinction has been made between nationalities in the hypothetical averages and the rates of decrease (see annex III).

D. State Treasury losses from taxes and duties

The relevant authorities in the Syrian Arab Republic granted visitors from Kuwait (Syrians and Kuwaitis) numerous facilities in the form of customs exemptions and special exceptions from some of the customary rules and procedures in a number of domains. The government agencies, in particular public security, the customs and education authorities made exceptional efforts to absorb the sudden flow of visitors during the first days of the crisis. The following is a list of the facilities granted to those visitors:

(a) Visitors' cars were exempted from the customs duty, payable in foreign currency, of 115 dollars for each car for a stay of no more than four months inside the country. Approximately 15,000 tourist cars have entered the country since the beginning of the crisis.

(b) The period for which these cars are allowed to stay in the country was extended for a further year and their owners were exempted from the customs duties arising therefrom.

(c) Baggage accompanying the visitors was exempted from customs duty.

(d) Shipments of furniture and household effects were granted temporary entry and consequently no customs duty was levied on them. The number of such shipments is expected to reach approximately 2,000.

(e) Children of visitors have been given places in Syrian schools and universities and accepted provisionally until such time as they can produce the required school certificates.

(f) Kuwaiti hotel guests have been exempted from paying their hotel bills in foreign currency as an exception from the customary rules.

As a result of these exceptions and facilities, the State Treasury has been deprived of tax revenue estimated at $31 million.

Moreover, law No. 109 of 1989 required every Syrian working abroad to pay a yearly duty in foreign currency. The amount of this duty depends on the professional level of the expatriate in the country in which he works. The duty varies between $50 for an ordinary unskilled worker and $700 for a businessman, industrialist or professional. The annual revenue from this duty with regard to the Syrian work-force in Kuwait is estimated at approximately $18 million, of which the State Treasury has been deprived as a result of the crisis (see annex IV).

E. The Kuwaiti grant to the Syrian Arab Republic

As part of economic co-operation between the Syrian Arab Republic and Kuwait, the Government of Kuwait pays for Syrian imports of urea fertilizer from Kuwait, the value of which is $50 million per year. In view of current circumstances, the import of this product has stopped.

F. Revenue from the transit of Iraqi oil

As we have indicated, Syrian observance of international resolutions, which call for a halt of commercial transactions with Iraq, has led to a suspension of the agreement in principle which had been reached to resume pumping of Iraqi oil through Syria and to provide Syria with 4 million barrels of oil per year at under 50 per cent of the market price. The loss resulting from the halting of work under the agreement is estimated at approximately $360 million per year. This sum represents the expected revenue from the transit of the oil and the differential of the reduced price of Iraqi oil which the Syrian Arab Republic would have obtained.

III. INDIRECT ECONOMIC LOSSES

As is apparent from the foregoing, the total direct economic losses resulting from the Gulf crisis are approximately $2,179 million (see annex V). However, this does not account for the true damage inflicted on the Syrian economy as a result of the crisis. The economic consequences of the direct losses and the ensuing complications and psychological factors has resulted in damage and losses which are greater in volume than the direct losses inflicted on the Syrian economy. It is expected that the impact of these complications will continue for a long time, giving rise to vicious circles and new losses before government efforts are able to contain them. In the absence of sufficient data, the enumeration of these complications and the estimation of the consequent losses is impractical. However, in the light of economic laws, it is legitimate to forecast some of what may happen. For example, the decrease in foreign exchange earnings will upset the balance of payments, for which severe austerity measures had been adopted in recent years. This decrease will also affect the capacity of the economy to cover the costs of a sufficient quantity of imports into the country of raw materials, equipment and other production inputs, which in turn will have an adverse effect on production levels and employment.

One of the main inflationary effects of the crisis has been the fall in the exchange rate of the Syrian pound in neighbouring markets, which will raise the cost of imports and consequently the cost of commodities and services, in particular those which are not subject to government price controls. It will also lessen the true value of interest on bank deposits, which may affect the growth rates of the volume of deposits.

The decrease in exports will lead to a decrease in production levels in some sectors and a reduction in the growth of the gross national product. In addition to all this, the psychological impact of the crisis and the fear of not being able to contain it will curtail expansion and investment by the private sector in commodity production and service enterprises.

Annex I

ESTIMATE OF THE LOSSES OF THE SYRIAN COMMUNITY IN KUWAIT

(Millions of Kuwaiti dinars) 1/

Businessmen, contractors, craftsmen (20,000)	
Key money and equipment of commercial premises (20,000 premises x KD 30,000 x 100%)	600
Stock (20,000 premises x 40,000 x 80%)	630
Commercial vehicles (20,000 x KD 5,000 x 80%)	80
Depreciation of deposits and liquid assets (20,000 x KD 20,000 x 93%)	372
Unpaid obligations and lost deposits (20,000 x KD 5,000 x 100%)	100
Miscellaneous losses (20,000 x KD 2,000 x 100%)	40
Subtotal	1 832
Employed persons (30,000)	
Separation from service indemnities (30,000 workers x KD 500 x 10 years x 100%)	150
Depreciation of deposits and liquid assets (30,000 x KD 10,000 x 93%)	279
Lost deposits (30,000 x KD 1,000 x 100%)	30
Subtotal	459
Residential property and related losses for both categories (50,000)	
Furniture, domestic appliances, clothing (50,000 x KD 10,000 x 60%)	300
Valuables and jewellery (50,000 x KD 2,000 x 50%)	50
Private vehicles (10,000 vehicles x KD 2,000 x 100%)	20
Subtotal	370
Total	2 661

1/ The value in United States dollars should be calculated on the basis of $1 = KD 0.29.

Annex II

ESTIMATE OF THE DECREASE IN VALUE OF TRANSFERS

1.	Total value of private-sector imports except Kuwait (official statistics)	$868 million
2.	25 per cent of public-sector imports (official statistics)	$302 million
3.	Total value of exports financed by available transfers (1+2)	$1,170 million
4.	Contribution of the Syrian community in Kuwait to the above value (assumed)	30 per cent
5.	Estimated value of the contribution of the Syrian community in Kuwait to financing imports (3x4)	$351 million
6.	Total value of private-sector imports from Kuwait (official statistics)	$25 million
7.	Contribution of the Syrian community to financing these imports (assumed)	60 per cent
8.	Contribution of the Syrian community to financing imports from Kuwait (6x7)	$15 million
9.	Average individual foreign currency savings among the work-force at home (estimate)	$5,600
10.	Syrian work-force in Kuwait (estimate)	50,000 workers
11.	Value of remittances deposited at home in foreign currency (9x10)	$280 million
12.	Value of transfers in kind each year per worker in Kuwait (estimate)	$2,400
13.	Total value of transfers in kind (10x12)	$120 million
14.	Other contributions of the Syrian community to financing imports (3-5)	$819 million
15.	Decrease in remittances from other communities (assumed)	10 per cent
16.	Decrease in remittances from other communities (14x15)	$82 million

Annex III

ESTIMATE OF FOREIGN CURRENCY LOSSES IN THE TOURIST SECTOR

Nationality	Number of visitors in 1989 (thousands of visitors)	Average number of tourist nights per visitor before the crisis	Percentage decrease in the number of tourist nights because of the crisis	Decrease in the number of tourist nights because of the crisis (thousands of tourist nights)
1	2	3	4	5 = 2 x 3 x 4
Kuwaitis	14	20	100	280
Gulf Arabs	102	20	100	2 040
Jordanians and Lebanese	701	1	20	140
Other Arabs	80	5	25	100
Iranians	208	10	15	312
Turks	140	3	25	105
Other	118	2	20	47
Total	1 363			3 024

The loss in foreign currency is: 3,024 tourist nights x $150 = $453.6 million.

Annex IV

ESTIMATE OF THE LOSS TO THE STATE TREASURY FROM TAXES AND DUTIES

(Thousands of United States dollars)

Emigration duty	
20,000 expatriates x $600 + 30,000 expatriates x $200	18 000
Entry duty on vehicles	
15,000 cars x $115	1 725
Prolonged stay duty on vehicles	
15,000 vehicles x $115 x 3	5 175
Customs duties on accompanying effects	
15,000 vehicles x $1,000 x 25 per cent	3 750
Customs duties on furniture shipments	
2,000 shipments x 10,000 x 75 per cent	15 000
Educational and other administrative services (rough estimate)	5 000
Total	48 650

Annex V

TOTAL DIRECT ECONOMIC LOSSES

(Millions of United States dollars)

Decrease in transfers			
Transfers from Kuwait			
Money transfers (financing of imports)	366		
Money transfers (from savings at home)	280		
Transfers in kind (goods, presents)	120		
Subtotal		766	
Decrease in transfers from Syrians abroad elsewhere		82	
Total			848
Losses in foreign trade			
Exports			
To Kuwait	22		
To other Gulf countries and Jordan	58		
To Iraq	100		
Subtotal		180	
Imports		150	
Transit duties		100	
Total			415
Losses from tourism			
Total			454
Losses from oil			
Losses due to suspension of the Iraqi transit agreement		300	
Losses due to the differential of the reduced prices of Iraqi oil		60	
Total			360

Loss of foreign grants and aids		
Grant from Kuwait (urea fertilizer)		
Total		50
Losses to the State Treasury from taxes, duties and services		
Emigration duties	18	
Duties on importing vehicles into the country and prolonging their stay	7	
Customs duties on shipments of furniture and accompanying effects	19	
Administrative services and fees for visitors	5	
Educational services	3	
Total		52
Overall losses to the national economy		2 179